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Product Brief

Wine

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Approved by:

Bonnie Borris

U.S. Department of Agriculture

Prepared by:

Stanton, Emms & Sia

Report Highlights:

Total consumption of wine exceeded 6.9 million liters in CY2000. Major suppliers include France, Australia, USA, Italy and Chile. Supermarkets and restaurants are the main distribution channels. While imports of wine are not restricted, there are high excise duties.

Includes PSD changes: No
Includes Trade Matrix: No
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Kuala Lumpur [MY1], SN

1. Singapore in profile

Singapore (population of 4 million) is one of the most affluent nations in Asia with a GDP per-capita of about US\$20,100 today. About 21% of the population are aged 15 years and below, which represents a sizeable pool of future consumers who will be an important driver for increased consumption of imported food and beverages in future.

Over 76% of its population make up the middle to upper income group of consumers, all of whom lead an urban lifestyle and represent the bulk of the market for imported food and beverages today.

Singapore is generally recognised as Southeast Asia's main distribution hub. The facilities offered by its excellent airport and seaport have encouraged a large number of businesses, including food and ingredient suppliers and importers, to operate re-export businesses from Singapore targeting regional markets in Asia, particularly the neighbouring ASEAN countries.

Until recently, Singapore's economy has been growing in excess of 8% per annum, based mainly on its strong export manufacturing and financial and business service sectors. In 2000, Singapore reported annual GDP growth of about 9.9%, up from 5.5% in 1999. Since early 2001, the economy has been slowing down as Singapore was amongst those countries hardest hit by the effects of the slowdown in the global IT demand and from overall economic slowdown faced by the USA, European Union and Japan. As a result, the government is now forecasting a recession in 2001.

2. Market Overview

Singapore does not produce any wine. Singapore imported grape-based wines valued at US\$ 109 million (CIF value) in 2000, up from US\$ 106 million in 1998. Sparkling wines accounted for about 53% of import value in 2000. The balance of import value was represented by still wine packed in standard bottles (46%) and still wine packed in larger bottles (1%).

Imports enter Singapore either for local consumption or re-export:

- Close to 80% of all sparkling wines imported to Singapore are re-exported. The majority of re-exports (87%) comprise French champagne destined for Japan. This trade was valued at about US\$ 64 million (FOB basis) in 2000.
- In 2000, about 16% of still wine imports were re-exported to more than 40 countries, with the bulk of re-exports going to East Asia Pacific countries. This trade was valued at about US\$ 5 million (FOB basis) in 2000.

Singapore consumed more than 6.9 million litres of still wine in 2000. The market is becoming increasingly competitive with France, Australia, the USA, Italy and Chile all taking an aggressive line towards developing their markets over the past 5 years.

The USA is currently the third largest supplier of still wines after France and Australia. It supplied Singapore with 816,588 litres worth about US\$ 5.5 million in 2000, up from 652,111 litres worth US\$ 4.2 million in 1999. It plays a minor part in the local and re-export market for sparkling wines. It currently exports around 20,000 litres of sparkling wine per annum valued at about US\$ 0.5 million in 2000.

U.S. export growth to Singapore is underpinned by wine marketing activities which are important in developing this market. Such promotional activities are therefore encouraged in future.

3. Market Sector Opportunities and Threats

Advantages	Challenges
Wine consumption is steadily growing amongst Singaporeans. Growth is expected to continue as the economy sees growth in future. Tourists and expatriate residents are also important targets for imported wine.	Competition from France, Australia and other countries, e.g. Chile and South Africa.
U.S. products, including wines, are generally viewed as good quality products by distributors and consumers.	Price sensitivity amongst importers and buyers of wine in retail outlets.
The market is open, albeit high excise duties are levied on alcoholic drinks.	

3.1 Market Size, Structure and Trends

Singapore is now consuming more than 6.9 million litres of wine per annum, up from around 4.5 million litres in 1996. The retail market for wine is estimated to be worth between US\$ 105 million and US\$ 115 million in 2000.

Singapore Consumption of Wine					
	1996 000' Litres	1997 000' Litres	1998 000' Litres	1999 000' Litres	2000 000' Litres
Sparkling wines	540	736	375	788	419
Still wines	3,966	5,448	4,349	5,860	6,506
Total	4,506	6,184	4,724	6,648	6,925
Source: Singapore Government					

Sparkling wine forms about 6% of the wine market in Singapore. Sparkling wine consumption involves a range of products ranging from less expensive products from Australia and Italy through to expensive French champagne.

In 2000, still wines comprise about 80% of the wine market by volume and 47% by value. Sparkling wines comprise about 20% of the market by volume and 53% by value. Red wine is considered superior by Singaporean consumers for both traditional, e.g. colour and taste/body, and modern reasons, e.g. the well publicised health benefits.

Discussions with local trade sources highlight that long term prospects are good for imported wine, especially New World wines which are brand-managed in the market. New World wines are now the fastest growing alcoholic beverage in the Singapore market, according to trade sources.

It should, however, be noted that in the short term there could be a slowdown in demand for wine as a result of Singapore's current economic slowdown, which has arisen because of economic problems in Japan and the USA.

3.2 Demand for wine

Wine is still not widely consumed in Singapore. Per capita annual consumption of wine in Singapore is currently low:

- 1.6 litres for all forms of wine,
- 0.2 litres for sparkling wine and
- 1.4 litres for table wines.

Most Singaporeans find wine a confusing beverage as most do not know which wine to purchase or how/when it should be consumed even if they wish to purchase a bottle to try. Purchasers generally find Australian and US wine bottle labeling more "consumer friendly" as they contain more information about the wine with suggestions on when/how the wine should be consumed.

The bulk of wine is consumed by:

- Expatriates who generally know their wines and only buy what they want to consume. Trade sources estimate that this group may number 200,000 persons, including all family members. They consider wine type/origin, taste and quality as well as price as important when purchasing wine. They generally purchase wine for home consumption or for consumption at special functions.
- A small group of Singaporeans from the middle to upper income group, excluding Muslims, who have explored and learnt to appreciate wine. No estimate was available about the size of this group of consumers. The majority of these consumers are aged between 25 years and 40 years and they attend wine education seminars and wine appreciation courses conducted by Australian wine associations.

Like the expatriates, this group of wine consumers considers wine type/origin, taste and quality as important when purchasing wine. Wine is purchased by them for home consumption, for consumption at special functions or as a special item of collection.

- A larger group of Singaporeans, excluding Muslims, from the middle income group aged below 50 years. Trade sources comment that this group may number in excess of 300,000 persons. They drink wine as it is trendy and because wine is perceived to be healthier than other alcoholic drinks. This group of consumers does not understand the product nor appreciate the differences between wine types.

This group purchases wine for special functions such as weddings, Chinese New Year celebrations and alike. Image to them is important as they are trend setters/followers and so the brand or trendy quality labels from Australia or the USA are important to them when purchasing wine. The price of wine is also an important factor when purchasing wine.

Red wines are preferred by most local consumers, particularly Chinese Singaporeans. This is because:

- Traditionally the Chinese consider good wine to be red in colour and good for blood circulation.
- Consumers are now aware of the health benefits of drinking red wine and its flavonoids which have been well publicised in the Chinese and English language press and magazines in Singapore.

Wine consumption is highly seasonal in Singapore. The bulk of wine is consumed in the period from November through to February of the following year. This coincides with most of the major festivals celebrated by local consumers and Singapore's expatriate population, such as Chinese New Year, Christmas and expatriate-oriented Thanksgiving. Another occasion when wine is in high demand is during the wedding season which usually falls on the eighth lunar month.

3.3 Competition

France has long been the market leader for both sparkling and still wine.

Over the past 10 years, Australia has made a concerted effort to take share from France in still wine market. The other major players in the still wine market are the USA, Italy and Chile.

A number of other countries have a sizeable presence in the market. These include Germany, South Africa, New Zealand, Spain and Portugal, all of which exported more than 100,000 litres of still wine to Singapore in 2000.

Still Wine Market Shares - 1998 to 2000 ('000 Litres and % Share)			
	1998	1999	2000

France	2,247 (44.6 %)	2,797 (42.1 %)	2,900 (39.1 %)
Australia	1,120 (22.2 %)	1,731 (26.1 %)	1,977 (26.7 %)
USA	442 (8.8 %)	507 (7.6 %)	646 (8.7 %)
Italy	401 (7.9 %)	496 (7.5 %)	545 (7.4 %)
Chile	147 (2.9 %)	307 (4.6 %)	483 (6.5 %)
Other countries	686	801	862
Total	5043	6639	7413
Source: Singapore Government (Gross Imports of Still Wine in Standard 750 ml Bottles)			

French wines dominate the menus of Singapore's high-end restaurants and also have a sizeable presence in the retail market. Australia and the USA have their largest markets in the retail sector. All three countries have exporters that support the marketing of their products in Singapore. SOPEXA (France) runs a French national food and drink promotion every year with a strong emphasis on promoting the consumption of French wines.

Other supply countries such as Italy, Chile, South Africa and New Zealand are also actively trying to develop demand for their wines amongst shoppers and restaurant users through in-store and in-restaurant promotions.

3.4 Distribution Channels

Local trade sources estimate that between 50% and 55% of still wine (by volume) is sold through supermarkets, which have only become major channels for wine since the mid 1990s. The balance of wine is sold mainly through high-end restaurants.

The distribution channels for wine are very simple. Most importers of wine tend to deliver their products direct to their key accounts in the retail and HRI food service sector. The HRI sector is especially important to importers because of the higher margins that can be earned. Direct delivery provides them with the opportunity to control the quality of distribution in Singapore's hot climate and to take a higher margin from their products.

Intermediate wholesalers do exist and are used for distribution of wine to retail outlets and restaurants with low level sales of wine.

It should be noted that most wine importers have their own retail outlet. A number of importers are also attempting to develop internet sales channels for their wines.

The majority of wine is imported by specialist importers. Wine is only imported by a limited number of retailers, e.g. Carrefour, which imports Carrefour branded wine from France; and Jasons, a high-end supermarket that imports wine, including some under its own private wine label.

3.5 Entry Strategy

U.S. wine exporters that are not already present in the Singapore market should make contact with a specialist wine importer. These businesses have a good knowledge of the market and so can arrange to target distribution of individual labels at the appropriate areas of the market, especially in the food service sector.

When developing their export strategy, US exporters should bear in mind that demand is seasonal and that competition is quite intense. Consideration should be given to export planning to meet peak demand and appropriate promotional support to assist the importer with market entry and, thereafter, ongoing sales.

4. Costs and prices

4.1 Duties and taxes on wine

No import duty is charged on wine. However, high rates of excise duty are levied on wine as part of the government's efforts to discourage the consumption of alcoholic drinks.

The Rates of Excise Duty Charged on Wines Sold in Singapore	
Product	Duty and Basis of Charge
Sparkling wine, 2 litres or less	S\$ 13.00 per litre
Still wine, 2 litres or less	S\$ 9.50 per litre
Still wine, more than 2 litres	S\$ 9.50 per litre
Source: Customs & Excise Department, Singapore Government	

All products entering Singapore customs territory, including wines, are subject to a 3% GST (goods and service tax), which is required to be paid before the products can enter Singapore.

4.2 Distribution costs in Singapore

The major supermarkets in Singapore now impose listing fees on most items they carry and non-performing

items can be delisted without recourse after a period of between 3 and 6 months. Importers report paying between US\$ 2,200 and US\$ 4,600 to list and display imported products in all outlets of the major supermarkets. Other retailers do not impose such fees.

The mark-up by importers, wholesalers and retailers is estimated to account for between 30% and 50% of the retail price of an average bottle of wine priced at between US\$ 13.00 and US\$ 14.50 per 750ml bottle. This includes business profit and contributions towards advertising and promotional activities.

Margins on wine expected by retailers: 15% and 20%, importers/wholesalers: 10% to 50% depending on the type of wine. A margin of around 50% is expected from wine sales in the HRI food service sector, e.g. bars, clubs and restaurants, including those in hotels. Some hotels take higher margins than this.

Demands from distribution channel members for periodic promotional discounts have been very common since 1997/1998, when the Asian economic downturn impacted on Singapore. Consumer confidence remains variable so distributors continue to be price sensitive when making purchases from overseas suppliers.

5. Market Access

Other than the high rates of excise duty, Singapore has no significant barriers for wine imported from the USA. The regulations that do exist are as follows:

- Wines imported to, and sold in, Singapore are required to comply with the provisions of the Sale of Food Act 1973 and Food Regulations 1988, as amended by subsequent amendments. U.S. products are generally able to comply with these regulations.
- Wines, like all other processed food and drinks, have to be registered with the Food Control Department (FCD). Product registration covers one (1) year for each imported product. Registration has to be performed by an importer who is also registered with the FCD.
- The FCD has the power to inspect and test all processed food and drinks being imported into Singapore.

If the liquor products are intended for local consumption, samples are to be extracted for analysis by the Health Science Authority (HSA). The purpose of the analysis is to determine the volume, alcoholic strength and classification of the product for computation of Customs duty.

Traders importing commercial consignment of still wines under HS Code 220421100 for local sales may apply for exemption of liquor analysis for duty payment purposes if the importer is able to furnish to Customs Certificates of Analysis issued by the country of origin that meet the following conditions:

- The Certificate of Analysis is issued by the country of origin of the still wines, and the analysis has been conducted according to international laboratory standards; and
- The volume of content and the alcoholic strength of the still wines are provided in the Certificate.

Although the Singapore import authorities do closely monitor a list of controlled food and drink items, wine is currently not one of them. As in most other countries in the world, Singapore has laws which control where alcoholic drinks, including wine, can be sold through retail outlets, bars, restaurants and other establishments.

6. Key Contacts

Singapore Wine & Spirit Merchants' Association
1 Lor 25 Geylang
Singapore 388286

Tel: +65 748-6610
Fax: +65 746-8410

END OF REPORT